

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

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RECEIVED

W-01583A
Las Quintas Serenas Water Company
P. O. Box 68
Sahuarita AZ 85629

APR 15 2005

AZ Corporation Commission
Director Of Utilities

ANNUAL REPORT

FOR YEAR ENDING

12	31	2004
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09-30-2004

FOR COMMISSION USE

ANN04	04
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DALE R. CALVERT, PLLC

CERTIFIED PUBLIC ACCOUNTANT

2970 N. SWAN ROAD, #220
TUCSON, AZ 85712

Voice (520) 325-1544

Fax (520) 325-1121

E-mail drcalvert@cpatucson.com

April 8, 2005

Board of Directors
Las Quintas Serenas Water Company
Sahuarita, Arizona

We have compiled the accompanying balance sheet of Las Quintas Serenas Water Company (a corporation) as of September 30, 2004 and 2003 and the related comparative statement of income and expense for the years then ended and the supplementary information contained in the schedule of utility plant in service, schedule of calculation of depreciation expense for the current year, schedule of supplemental financial data, schedule of property taxes and schedule of income taxes for the year ended September 30, 2004 included in the accompanying prescribed form, Water Utility Annual Report, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation is limited to presenting in the form prescribed by the Arizona Corporation Commission information that is representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the Arizona Corporation Commission which differ from a presentation in conformity with generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

We are not independent with respect to Las Quintas Serenas Water Company.



Dale R. Calvert
Certified Public Accountant

COMPANY INFORMATION

Company Name (Business Name) Las Quintas Serenas Water Co.

Mailing Address PO Box 68

(Street)

Sahuarita

(City)

Arizona

(State)

85629

(Zip)

520-625-8040

Telephone No. (Include Area Code)

520-648-3520

Fax No. (Include Area Code)

520-403-9354

Pager/Cell No. (Include Area Code)

Email Address lqswater@aol.com

Local Office Mailing Address PO Box 68

(Street)

Sahuarita

(City)

Arizona

(State)

85629

(Zip)

520-625-8040

Local Office Telephone No. (Include Area Code)

520-648-3520

Fax No. (Include Area Code)

520-403-9354

Pager/Cell No. (Include Area Code)

Email Address lqswater@aol.com

MANAGEMENT INFORMATION

Management Contact: _____

(Name)

(Title)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

On Site Manager: Steve Gay

(Name)

16961 Camino de las Quintas, Sahuarita,

(Street)

(City)

Arizona

(State)

85629

(Zip)

520-625-8040

Telephone No. (Include Area Code)

520-648-3520

Fax No. (Include Area Code)

520-403-9354

Pager/Cell No. (Include Area Code)

Email Address lqswater@aol.com

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Steve Gay

(Name)

16961 Camino de las Quintas Sahuarita, Arizona 85629

(Street)

(City)

(State)

(Zip)

520-625-8040

Telephone No. (Include Area Code)

520-648-3520

Fax No. (Include Area Code)

520-403-9354

Pager/Cell No. (Include Area Code)

Attorney: Lawrence V. Robertson, Sr.

(Name)

333 N. Wilmot Rd. Ste 300 Tucson, Arizona 85711

(Street)

(City)

(State)

(Zip)

520-721-1900

Telephone No. (Include Area Code)

520-747-1550

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|--|
| <input type="checkbox"/> Sole Proprietor (S) | <input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|--|-----------------------------------|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input checked="" type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

COMPANY NAME

Las Qunitas Serenas Water Company

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights	217.		217
304	Structures and Improvements	6,599	439	6,160
307	Wells and Springs	300,389	90,487	209,902
311	Pumping Equipment	114,815	54,396	60,419
320	Water Treatment Equipment	830	754	76
330	Distribution Reservoirs and Standpipes	96,344	55,507	40,837
331	Transmission and Distribution Mains	898,937	453,343	445,594
333	Services	2,427	384	2,043
334	Meters and Meter Installations	100,610	76,471	24,139
335	Hydrants			
336	Backflow Prevention Devices	1,137	389	748
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	19,416	6,057	13,359
341	Transportation Equipment	9,000	4,025	4,975
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment	2,592	584	2,008
346	Communication Equipment			
347	Miscellaneous Equipment	7,170	2,851	4,319
348	Other Tangible Plant			
	TOTALS	1,560,483	745,687	814,796

This amount goes on the Balance Sheet Acct. No. 108

See Accountant's Compilation Report

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights	217		
304	Structures and Improvements	6,599	.0333	220
307	Wells and Springs	300,389	.0333	10,003
311	Pumping Equipment	114,815	.125	14,352
320	Water Treatment Equipment	830	.0333	28
330	Distribution Reservoirs and Standpipes	96,344	.0222	2,139
331	Transmission and Distribution Mains	898,937	.02	17,979
333	Services	2,427	.0333	81
334	Meters and Meter Installations	100,610	.0833	8,381
335	Hydrants			
336	Backflow Prevention Devices	1,137	.0667	76
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	19,416	.0667	1,295
341	Transportation Equipment	9,000	.2	1,800
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment	2,592	.05	130
346	Communication Equipment			
347	Miscellaneous Equipment	7,170	.10	717
348	Other Tangible Plant			
	TOTALS	1,560,483	N/A	57,201

This amount goes on the Comparative Statement of Income and Expense _____
Acct. No. 403.

See Accountant's Compilation Report

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS	10/01/03	09/30/04
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 72,674	\$ 73,387
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	4,273	8,152
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies	9,396	9,202
162	Prepayments		
174	Miscellaneous Current and Accrued Assets	238,789	245,486
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 325,132	\$ 336,227
	FIXED ASSETS		
101	Utility Plant in Service	\$1,461,863	\$1,560,483
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	685,551	745,687
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 776,312	\$ 814,796
	TOTAL ASSETS	\$1,101,444	\$1,151,023

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES	10/01/03	09/30/04
	CURRENT LIABILITES		
231	Accounts Payable	\$	\$ 2,411
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	36,804	36,095
236	Accrued Taxes	18,938	20,941
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 55,742	\$ 59,447
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	508,411	566,935
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction *	104,829	115,579
272	Less: Amortization of Contributions *	(34,986)	(40,765)
281	Accumulated Deferred Income Tax	55,675	69,426
	TOTAL DEFERRED CREDITS	\$ 633,929	\$ 711,175
	TOTAL LIABILITIES	\$ 689,671	\$ 770,622
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 2,550	\$ 2,550
211	Paid in Capital in Excess of Par Value	5,180	5,180
215	Retained Earnings	404,043	372,671
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 411,773	\$ 380,401
	TOTAL LIABILITIES AND CAPITAL	\$ 1,101,444	\$1,151,023

* Includes off-site improvement fees

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR 09/30/03	CURRENT YEAR 9/30/04
461	Metered Water Revenue	\$ 284,549	\$ 282,616
460	Unmetered Water Revenue		
474	Other Water Revenues	2,783	5,208
	TOTAL REVENUES	\$ 287,333	\$ 287,824
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 110,106	\$ 111,034
610	Purchased Water		
615	Purchased Power	30,902	30,915
618	Chemicals		
620	Repairs and Maintenance	19,797	6,403
621	Office Supplies and Expense	7,295	10,024
630	Outside Services	3,231	25,538
635	Water Testing	4,804	4,409
641	Rents	5,245	7,248
650	Transportation Expenses	5,862	4,943
657	Insurance – General Liability	1,693	2,346
659	Insurance - Health and Life	5,820	5,870
666	Regulatory Commission Expense – Rate Case	6,000	6,000
675	Miscellaneous Expense	7,275	9,418
403	Depreciation Expense *	67,591	51,422
408	Taxes Other Than Income **	7,441	27,323
408.11	Property Taxes	19,568	20,037
409	Income Tax	(676)	260
	TOTAL OPERATING EXPENSES	\$ 301,954	\$ 323,190
	OPERATING INCOME/(LOSS)	\$ (14,621)	\$ (35,366)
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 5,954	\$ 6,515
421	Non-Utility Income	1,332	1,359
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	\$ 7,286	\$ 7,874
	NET INCOME/(LOSS)	\$ (7,335)	\$ (27,492)

* Depreciation	72,833	57,201
Amortization of Contributions		
in Aid of Construction & Off-site		
Improvement Fees	(5,242)	(5,779)
	<u>\$67,591</u>	<u>\$51,422</u>
** Includes adjustment for	(\$4,160)	\$16,203
Deferred taxes of		8

COMPANY NAME Las Quintas Serenas Water Co.

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ 30,705

Meter Deposits Refunded During the Test Year

\$ 6,119

COMPANY NAME Las Quintas Serenas Water Company

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-60-8531	50	200	513-805	10" - 8"	6"	1976
55-60-8530	75	350 - 450	837	12"	6"	1971
55-56-6940	40	650 - 850	910	12"	4"	1998

- Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
N/A		N/A	

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
30,000 gallons	1	3,000 gallons	1
60,000 gallons	1	5,000 gallons	5

COMPANY NAME

Las Quintas Serenas Water Company

WATER COMPANY PLANT DESCRIPTION (CONTINUED)**MAINS**

Size (in inches)	Material	Length (in feet)
2	Copper	250
3	Transite	240
4	Transite	19,840
5	N/A	N/A
6	Tansite	37,793
8	Transite	2,760
10	Transite	420
12	Transite	1,340
2	Plastic	1,550
4	Plastic	4,509
6	Plastic	17,510
8	Plastic	1,468
12	Plastic	1,950

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	754
3/4	1
1	37
1 1/2	6
2	4
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	1
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

STRUCTURES:

Steel portable shed 8' x 20' (#5 well)

Steel portable shed 8' x 40' (#6 well)

OTHER:

COMPANY NAME: Las Quintas Serenas Water Co.

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2004

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	909	10,419,500	10,643,700
FEBRUARY	915	8,028,400	9,425,600
MARCH	917	8,182,300	8,746,900
APRIL	924	11,940,400	12,854,700
MAY	922	13,172,500	13,879,700
JUNE	920	15,537,200	15,884,500
JULY	923	17,805,400	19,148,500
AUGUST	926	12,682,900	13,961,000
SEPTEMBER	933	13,742,900	15,424,400
OCTOBER	938	13,838,300	14,116,800
NOVEMBER	944	11,770,800	11,869,300
DECEMBER	943	9,305,400	10,564,300
TOTAL			156,519,400

Is the Water Utility located in an ADWR Active Management Area (AMA)?

☒ Yes

☐ No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

☒ Yes

☐ No

If yes, provide the GPCPD amount: 121.0

What is the level of arsenic for each well on your system. _____ mg/l
(If more than one well, please list each separately.)

Well #5 11
Well #6 14
Well #7 12

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME Las Quintas Serenas Water Co. YEAR ENDING 12/31/2004

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2004 was: \$ 19,878.34

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

LAS QUINTAS SERENAS WATER COMPANY

P.O. BOX 68
SAHUARITA, AZ 85629

BANK OF AMERICA, NA
222 W. ESPERANZA BLVD.
GREEN VALLEY, AZ 85614

91-170/1221

6779

10/16/2003

PAY TO THE ORDER OF Beth Ford; Pima County Treasurer

\$ **9,949.55

Nine Thousand Nine Hundred Forty-Nine and 55/100***** DOLLARS

Beth Ford; Pima County Treasurer
Pima County Treasurer's Office
PO Box 98765
Phoenix, Arizona 85038-0765

MEMO 1st Half Year Payment 2003 - Property Taxes

⑈006779⑈ ⑆122101706⑆

050⑈060212⑈

⑈0000994955⑈

OPERATING ACCOUNT

Steve H. Hay

CheckLock Security System. Chemically Resistant Paper. MicroPrint Signature Line. Padlock Icon on the front and Original Document Security Screen on the back.

182820835198765
1288 8224 063
3034104913
3 10/20/03
PIMA COUNTY

BANK OF AMERICA, NA TPE
⑈122101706⑆ E2442 01 P01
10/20/03

3150754985

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WITHOUT PRE
FEES. REGULAR

[illegible]

LAS QUINTAS SERENAS WATER COMPANY

P.O. BOX 68
SAHUARITA, AZ 85629


BANK OF AMERICA, NA
222 W. ESPERANZA BLVD.
GREEN VALLEY, AZ 85614
91-1701221

6984

4/19/2004

PAY TO THE ORDER OF Beth Ford; Pima County Treasurer

\$ **9,928.79

Nine Thousand Nine Hundred Twenty-Eight and 79/100***** DOLLARS 

Beth Ford; Pima County Treasurer
Pima County Treasurer's Office
PO Box 98765
Phoenix, Arizona 85038-0765

MEMO 2nd Half Year Payment 2003 - Property Taxes

OPERATING ACCOUNT

Steve P. Hay

⑈006984⑈ ⑆122101706⑆

050⑈060212⑈

⑈0000992879⑈

CheckLock Security System Chemically Resistant Paper MicroPrint Security System on the back

042129045198766
1286 2825
9326386277

DATE 04/21/04
PTE C 048 AZ

BANK OF AMERICA, NA TPE
⑈1221017064 E3063 01 P01
04/21/04

3250096539

CREDIT TO T
OF THE WITH
WITHOUT PRE

NET CHECK \$ 1928.79

COMPANY NAME Las Quintas Serenas Water Co.

YEAR ENDING 12/31/2004

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	(29,811)
Estimated or Actual Federal Tax Liability	-0-

State Taxable Income Reported	(15,797)
Estimated or Actual State Tax Liability	50

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	-0-
Amount of Gross-Up Tax Collected	-0-
Total Grossed-Up Contributions/Advances	-0-

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

X Steve H. Gay
SIGNATURE

X 4-14-05
DATE

Steve Gay
PRINTED NAME

Manager
TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

APR 15 2005

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
Pima
NAME (OWNER OR OFFICIAL) TITLE
Steve Gay
COMPANY NAME
Las Quintas Serenas Water Co.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 307,399.55

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 22,656.04

IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

X Steve G. Gay
SIGNATURE OF OWNER OR OFFICIAL
X 520-625-8040
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

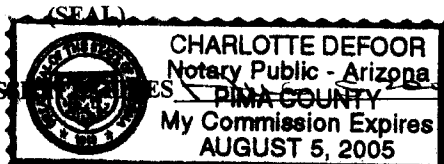
THIS

14th

DAY OF

COUNTY NAME	
Pima	
MONTH	2005
April	

MY COMMISSION



Charlotte Defoor
SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

APR 15 2005

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Pima	
NAME (OWNER OR OFFICIAL) Steve Gay	TITLE Manager
COMPANY NAME Las Quintas Serenas Water Co.	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES \$ 242,031.99
--

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 19,257.64
IN SALES TAXES BILLED, OR COLLECTED)

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**

x Steve H. Gay
SIGNATURE OF OWNER OR OFFICIAL

x 520-625-8040
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

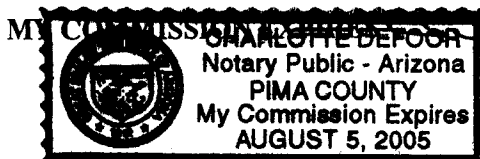
THIS

14th

DAY OF

NOTARY PUBLIC NAME Charlotte DeFoor	
COUNTY NAME Pima	
MONTH April	YEAR 2005

(SEAL)



x Charlotte DeFoor
SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the companies' year-end (Calendar Year 2004) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

Las Quintas Serenas Water Company
Arizona Corporation Commission Utilities Division
Annual Report
For Year Ending December 31, 2004

Note 1 - Reporting Period:

Las Quintas Serenas Water Company is a corporation which has a fiscal year of September 30 for income tax reporting purposes. The company has asked for and received permission from the Arizona Corporation Commission to report the financial information contained in the annual report using the same reporting period it uses for income tax purposes. Therefore, the financial information contained in this report is for the fiscal years ending September 30, 2004 and 2003 with the following exceptions. The information contained on the "Verification and Sworn Statement" and the "Verification and Sworn Statement - Residential Revenue" is for the calendar year ending December 31, 2004.